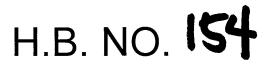
HB 154



A BILL FOR AN ACT

RELATING TO SERVICE CONTRACTS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1	SECTION 1. Section 481X-2, Hawaii Revised Statutes, is					
2	amended as follows:					
3	1. By adding a new definition to be appropriately inserted					
4	and to read:					
5	" "Road hazard" means a hazard that is encountered while					
6	driving a motor vehicle, which may include but not be limited to					
7	potholes, rocks, wood debris, metal parts, glass, plastic,					
8	curbs, or composite scraps."					
9	2. By amending the definition of "service contract" to					
10	read:					
11	""Service contract" means a contract or agreement for a					
12	separately stated consideration and a specific duration[, to]:					
13	(1) To perform or indemnify the repair, replacement, or					
14	maintenance of property for operational or structure					
15	failure due either to a defect in materials or					
16	artisanship, or to normal wear and tear, with or					
17	without additional provision for incidental payment or					

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1		inde	mnity under limited circumstances, including but	
2		not	limited to towing, rental, and emergency road	
3		service[-]; or		
4	(2)	For	performance of one or more of the following	
5		serv	ices:	
6		(A)	The repair or replacement of tires or wheels on a	
7			motor vehicle damaged as a result of coming into	
8			contact with a road hazard;	
9		<u>(B)</u>	The removal of dents, dings, or creases on a	
10			motor vehicle that can be repaired using the	
11			process of paintless dent removal without	
12			affecting the existing paint finish and without	
13			replacing vehicle body panels, sanding, bonding,	
14			or painting;	
15		<u>(C)</u>	The repair of chips or cracks in a motor vehicle	
16			windshield or the replacement of a motor vehicle	
17			windshield as a result of damage caused by a road	
18			hazard;	
19		(D)	The replacement of a motor vehicle key or key-fob	
20			in the event that the key or key-fob becomes	
21			inoperable, lost, or stolen; or	

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1	<u>(E)</u>	Other services which may be approved by the
2		commissioner, if not inconsistent with other
3		provisions of this chapter.
4	Service contra	cts may provide for the repair, replacement, or
5	maintenance of	property damaged by power surges, or accidentally
6	damaged during	handling."
7	SECTION 2	. Statutory material to be repealed is bracketed
8	and stricken.	New statutory material is underscored.
9	SECTION 3	. This Act shall take effect on July 1, 2019.
10		INTRODUCED BY: Sakuli On Olikk JAN 1 7 2019
		Tel sk
		JAN 1 7 2019

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Report Title:

Service Contracts

Description:

Clarifies the allowable scope of service contracts regulated by the Insurance Commissioner to include contracts for certain motor vehicle repair and replacement services.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

February 4, 2019

Via Hand Delivery

The Honorable Roy M. Takumi, Chair
The Honorable Linda Ichiyama, Vice Chair
House Committee on Consumer Protection and Commerce

Re: Support of House Bill 154

On behalf of its members, the Motor Vehicle Protection Products Association (MVPPA) would like to express its **support** of **House Bill 154** when it comes to you for consideration.

By way of background, MVPPA is a national trade association with member companies that include providers, retailers, administrators, and insurers of vehicle service contracts and theft protection products. MVPPA's primary goal is to establish a uniform, balanced regulatory landscape that minimizes confusion or dispute about the regulatory status of these products. MVPPA's member companies offer over 80% of the protection products available in the marketplace today and include Ally Insurance, AmTrust Financial Services, Assurant Solutions, Toyota Motor Insurance Services, and CNA National Warranty Company.

House Bill 154 amends the definition of service contract to expressly authorize a number of products to be offered as service contracts. Typically, these products provide consumers with benefits either not covered under a traditional automobile insurance policy or that may be under their traditional automobile insurance policy's deductible. For example, often times the cost of replacing a vehicle's key-fob in the event it is lost or stolen, although costly, is less than a consumer's insurance deductible and so the consumer may be left paying the cost out of pocket. Instead, a consumer could elect to purchase a service contract with key-fob replacement coverage to avoid the possibility of paying this cost out of pocket. Moreover, it is our understanding that these coverages are offered in Hawaii today as service contracts that are filed with and reviewed by the Department of Commerce and Consumer Affairs' Insurance Division, and that this legislation merely crystalizes in statue the current regulatory treatment of these products.

The MVPPA thanks you in advance for your time and consideration in this matter and reiterates its **support of House Bill 154** as currently drafted. Please do not hesitate to contact me directly with any questions, concerns, or requests for additional information at <u>jim@meenanlawfirm.com</u> or (850) 425-4000.

Sincerely,

James P. Burleson

Assistant Executive Director

"Tire, wheel, windshield, dent, appearance care and other valuable coverage."



February 5, 2019

Representative Roy M. Takumi, Chair Representative Linda Ichiyama, Vice Chair Committee on Consumer Protection and Commerce Hawaii State Capitol, Room 320 Honolulu, HI 96813

RE: HB 154 – SERVICE CONTRACTS – AMENDMENT PROPOSED

Dear Chair Takumi, Vice Chair Ichiyama, and Members of the Committee:

AAA Hawaii was founded in 1915 in Honolulu and is a leader in motorist services and roadside assistance and a strong advocate for motorists and traffic safety. With 165,000 members, service to and the safety of our members and all road users is our founding and continuing purpose.

We appreciate that you are considering a proposal to amend existing service contract law 481X-2 to add more services under the definition of "service contracts." However, given the nature of these additions, we are concerned that the proposed legislation will inadvertently include automobile club services in the definition of service contracts. Automobile clubs in other states are separate from and not part of "service contracts," as defined.

To ensure these two topics remain appropriately separate and distinct, we respectfully request that the following amendment, in red underline, be in included in 481X-1 and 481X-2:

[§ 481X-1.] Application.

- (a) This chapter shall not apply to:
 - (1) Express or implied warranties;
 - (2) Maintenance agreements;
 - (3) an agreement issued by an automobile club; and

(4)(3) Warranties, service contracts, and maintenance agreements offered by public utilities on their transmission devices to the extent they

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are regulated by the public utilities commission or the department of commerce and consumer affair.

§ 481X-2. Definitions.

As used in this chapter:

"Automobile Club" means a legal entity that, in consideration of dues, assessments, or periodic payments of money, promises its members or subscribers to assist them in matters relating to motor travel or the operation, use, or maintenance of a motor vehicle by supplying services that may include, but are not limited to, towing service and emergency road service."

We believe this amendment will retain an important distinction between automobile clubs and service contracts.

Thank you very much for your consideration.

Sincerely,

Liane SumidaLiane Sumida

General Manager

1130 N. Nimitz Highway, Suite A170, Honolulu, HI 96817







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